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Nos. 86-495, 86-624 and 86-625

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1986

THE UNITED STATES OF AMERICA;
K MART CORPORATION; AND
47TH STREET PHOTO, INC.,
Petitioners,

VS.

COALITION TO PRESERVE THE
INTEGRITY OF AMERICAN TRADEMARKS;
CARTIER, INC.; AND CHARLES OF THE
RITZ GROUP, LTD.,
Respondents.

ON WRITS OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

BRIEF, AMICUS CURIAE, FOR THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION, INC.

AMERICAN INTELLECTUAL PROPERTY
LAW ASSOCIATION, INC.
2001 Jefferson Davis Highway
Arlington, Virginia 22202
Robert C. Kline, President
Telephone: (703) 521-1680

Of Counsel:
NEIL A. SMITH*
2001 Ferry Building
San Francisco, CA 94111
Telephone: (415) 433-4150
Attorney for Amicus Curiae
*Counsel of Record

BOWNE OF SAN FRANCISCO, INC. • 190 NINTH ST. • S.F., CA 94103 • (415) 864-2300

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AUTHORITY TO FILE

The American Intellectual Property Law Association, Inc. ("AIPLA") respectfully submits this brief as Amicus Curiae in support of the respondents. Pursuant to Rule 36.1 of this Court, consent to the filing of this brief has been granted by all parties, and letters of consent have been filed with the Clerk of Court.

INTEREST OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

The American Intellectual Property Law Association, Inc. ("AIPLA") is a national society of more than 5300 members of the bars of many of the different states engaged in the practice of patent, trademark, copyright, licensing, trade secret, and other laws protecting intellectual property rights. The AIPLA membership includes attorneys in private, corporate, and government practice; lawyers associated with universities, small business, and large business; and lawyers active in both the domestic and international transfer of technology and licensing.

AIPLA is concerned with the trademark issues raised by the actions of the Customs Service which are the subject of this controversy and is participating as amicus curiae so that its views on these issues can be considered. AIPLA supports the holding of the Court of Appeals for the District of Columbia Circuit. AIPLA takes no position on the jurisdictional issue.

SUMMARY OF ARGUMENT

(1) Section 526 of the Tariff Act (19 U.S.C. § 1526) is clear and unambiguous.

(2) Section 526 of the Tariff Act is consistent with the territorial nature of trademark rights in the United States.

(3) Any change in the clear and unambiguous language of Section 526 should be by legislation, not by administrative action.

ARGUMENT

A. The Statute is Clear and Unambiguous

Section 526(a) of the Tariff Act of 1930, 46 Stat. 741, as amended by the Customs Procedural and Simplification Act of 1978, 92 Stat. 888, 19 U.S.C. § 1526(a) (Supp. 1987), provides:

> (a) Importation Prohibited.—Except as provided in subsection (d) of this section, it shall be unlawful to import into the United States any merchandise of foreign manufacture if

> such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States, under the provisions of sections 81 to 109 of Title 15, and if a copy of the certificate of registration of such trademark is filed with the Secretary of the Treasury, in the manner provided in section 106 of said Title 15, unless written consent of the owner of such trademark is produced at the time of making entry.

Subsection (d) of Section 526 allows travelers returning to this country to bring with them for their personal use a very small quantity of trademarked goods bearing a United States trademark. The only other statutory exception to the importation exclusion requirements of Section 526 is found in 48 U.S.C. § 1643 where Congress specifically exempted from such import restrictions "genuine foreign merchandise bearing a genuine foreign trademark," where such goods would otherwise be prevented from entering the country under Section 526. This statute, which deals with foreign-made goods imported into the Virgin Islands, and their subsequent importation into the United States or its possessions from the Virgin Islands, provides that "[Section 526] shall not apply to importations into the Virgin Islands of genuine foreign merchandise bearing a genuine foreign trade-mark, but shall remain applicable to importations of such merchandise from the Virgin Islands into the United States or its possessions . . . " (48 U.S.C. § 1643 (Supp. 1987)).

Notwithstanding the plain meaning of Section 526 and the absence of any other statutory exception, the regulations of the Customs Service challenged here (19 C.F.R. § 133.21(c)(1) through (3) (1986)) exempt from exclusion under Section 526 articles sought to be imported into the United States where:

> (1) Both the foreign and the U.S. trademark or trade name are owned by the same person or business entity;

(2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control; or

(3) The articles of foreign manufacture bear a recorded trademark or trade name applied under authorization of the U.S. owner.[1]

AIPLA submits that Section 526 of the Tariff Act is clear and unambiguous and that the Customs regulations at issue here (19 C.F.R. § 133.21(c) (1) through (3)) are in conflict with its clear and unambiguous provisions.

B. Section 526 is Consistent With the Territorial Nature of Trademark Rights in the United States

In *Bourjois v. Katzel*, 260 U.S. 689, 692 (1923), this Court recognized that trademark rights in the United States are territorial in nature. The Court, speaking through Justice Holmes, stated:

> [I]f the goods were patented in the United States a dealer who lawfully bought similar goods abroad from one who had a right to make and sell them there could not sell them in the United States. [citation omitted] The monopoly in that case is more extensive, but we see no sufficient reason for holding that the monopoly of a trademark, so far as it goes is less complete.[2]

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[1] These regulations apply irrespective of whether the articles in question are the same as or different from the articles authorized to be sold in the United States by the trademark owner.

[2] Note that the principle of territoriality has always applied in the patent law. *See Boesch v. Graff*, 133 U.S. 697, 702 (1890), answering in the negative "[t]he exact question . . . whether a dealer residing in the United States can purchase in another country articles patented there, from a person authorized to sell them, and import them to and sell them in the United States, without the license or consent of the owners of the United States patent." The Customs regulations at issue here do not affect the principle of territoriality in patent law.

Section 526 of the Tariff Act recognizes the principle of territoriality of trademark rights by authorizing the domestic owner of a United States trademark registration to prevent importation of any merchandise of foreign manufacture bearing its mark. The Customs regulations at issue are inconsistent with the principle of territoriality.

One of the principal reasons for the territoriality of trademark rights is the many variations in the quality and nature of the goods. Goods intended for a different market may use different language on their labels and instructions, may offer differences in quality relating to the customs or tastes of the local market, and may not carry with them warranties and service contracts, which are an expensive component of a manufacturer's cost for making goods available for sale.

Thus, the Customs regulations at issue also disturb the public's reliance upon the quality function of trademarks, the ability of a trademark to represent and guarantee the standard of product quality set by the trademark owner. *See* Schechter, "The Rational Basis of Trademark Protection," 40 *Harvard Law Review* 813 (1927). Instead of looking at the goods or their nature and quality, the regulations look only at the relationship between the United States trademark owner and the foreign manufacturer. As one commentator has noted:

> The trademark owner should have a lawful claim to protection of his right when he has to adapt the quality of his goods to the national taste of the public and to particular national circumstances, *e.g.*, to the climate of the country where he wants to sell his goods. If such goods were to be imported against his will from another country where these relevant circumstances differed, the good will and integrity of his domestic trademark would suffer, thus entitling him to claim trademark protection against these undesired imports.

H.W. Wertheimer, "The Principle of Territoriality in the Trademark Law of the Common Market Countries," 58 *Trademark Reporter*, 230, 246 (1968).

The Customs regulations in question are both contrary to the plain meaning of the statute and contrary to the principle of territoriality of trademark rights adopted by this Court.

C. If the Clear and Unambiguous Language of Section 526 is to be Changed, Such Change Should be by Legislation, Not Administrative Action

The Customs Service has general authority to make rules to enforce the Tariff Act, such as stated in Section 624 (19 U.S.C. § 1624 (Supp. 1987)) and under Section 526(d)(4), but even under the latter section, that authority is limited only to prescribing "such rules and regulations *as may be necessary* to carry out the provisions of *this subsection*" (emphasis supplied). The Customs regulations at issue here are not at all necessary to carry out the provisions of that subsection and do not represent enforcement of the Tariff Act, but rather represent the carving out of a major exception to the rule of law therein. *See, Securities Industries Association v. Board of Governors*, 468 U.S. 137 (1984), where the Court rejected a Board of Governors of the Federal Reserve interpretation of the Glass-Steagall Act where the statute was clear and no authority was designated to construe the Act. *Cf., Securities Industries Association v. Board of Governors*, 468 U.S. 207 (1984).

Congress provided an exception in Section 526(d) to permit returning travelers to bring with them limited quantities of trademarked goods for their own personal use. Congress also provided an exemption in 48 U.S.C. § 1643 for goods imported into the Virgin Islands. As noted by the Ninth Circuit Court of Appeals, "[t]here can be no question that Congress intended section 1526(a) to bar the importation of genuine goods unless authorized by the domestic trademark owner. [Citing, *e.g.*, *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903, 910-13 (D.C. Cir. 1986); *Vivitar Corp. v. United States*, 761 F.2d 1552, 1563 (Fed. Cir. 1985); *accord*, *Olympus Corp. v. United States*, 792 F.2d 315, 319-320 (2d Cir. 1986)]". *United States v. Eight-Nine (89) Bottles of "Eau de Joy"*, 797 F.2d 767, 770 (9th Cir. 1986). If Congress had intended that Section 526 "not apply to importations . . . of genuine foreign

merchandise bearing a genuine foreign-trademark," then there would have been no need for Congress to negate the application of Section 526 in 48 U.S.C. § 1643 with this language. *See, United States v. Eighty-Nine (89) Bottles of "Eau de Joy", Id.*, at 771; *Weil Ceramics & Glass, Inc. v. Dash*, 618 F. Supp. 700, 715 (D.N.J. 1985).[3]

Any changes in the principle of territoriality of trademark rights or any changes in Section 526 of the Tariff Act are for the Congress,[4] and not for the Customs Service. Until Congress acts, the judiciary should strike down efforts of the Customs Service to "reverse" decisions of this Court and to "amend" duly enacted statutes.

"The judiciary is the final authority on issues of statutory construction and must reject administrative constructions which are contrary to clear congressional intent." *Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 843 n. 9 (1984). "If the intent of Congress is clear, that is the end of the matter. . . ." *Id.* at 842.

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[3] Exclusion of all trademarked goods, without the exceptions in the Customs regulations, is also consistent with Section 42 of the Lanham Act (15 U.S.C. § 1124 (Supp. 1987)).

[4] AIPLA takes no position at this time on any future legislation which might change Section 526.

CONCLUSION

AIPLA submits that the decision of the Court of Appeals for the District of Columbia Circuit should be affirmed, and that if there is to be any amendment of Section 526 of the Tariff Act, such amendment should be by legislation, not administrative action.

Respectfully submitted,

ROBERT C. KLINE
American Intellectual Property
Law Association, Inc.
2001 Jefferson Davis Highway
Arlington, Virginia 22202
Telephone: (703) 521-1680

OF COUNSEL:
NEIL A. SMITH*
2001 FERRY BUILDING
SAN FRANCISCO, CA 94111
TELEPHONE: (415) 433-4150
Attorney for Amicus Curiae
**Counsel of Record*